

CHARTER REVOCATION NOTICE REGARDING THE INDIANAPOLIS PROJECT SCHOOL

The Indianapolis Charter Schools Director (hereinafter referred to as the "Director") has become aware of circumstances that may provide cause for revocation of the charter agreement (hereinafter referred to as the "Charter") entered into between the Mayor of the Consolidated City of Indianapolis and Marion County, Indiana and The Indianapolis Project School (hereinafter referred to as the "Organizer"). Each of these circumstances, as set forth in the following numbered paragraphs, independently may provide cause for revocation of the Charter pursuant to Section 16.4 of the Charter.

1. The Organizer failed to meet agreed-upon enrollment targets in every year of its operation. The school was under-enrolled by 4.5% in 2008-2009, 17.7% in 2009-2010, 10.7% in 2010-2011, and 4.4% in 2011-2012. This failure to achieve the educational goals of the Charter School set forth in the Mayor's Accountability Plan is cause for revocation pursuant to Section 16.4(e) of the Charter.

2. The Indiana State Board of Accounts (hereinafter referred to as "SBOA") conducted school audits for the time period of July 1, 2008 to June 30, 2010. The SBOA examination concluded that significant deficiencies and material weaknesses existed in the Organizer's management of Federal Grant dollars. According to the examination, during the period the examination took place, the school improperly administered the Federal Planning and Implementation grant. The school was not appropriately administering the Federal awards in a timely manner, allowing these restricted funds to accumulate rather than be allocated monthly to cover expenditures. Additionally, the school was using restricted funds from both the Federal Charter School Facilities fund and the Federal Planning and Implementation grant to cover unauthorized operating expenditures, including salary and compensation. The total amount of restricted funds used improperly was \$63,551. Additionally, SBOA found that the school's General Fund was overdrawn on June 30, 2010 by \$224,059. This failure to comply with State and Federal law is cause for revocation pursuant to Section 16.4(g) of the Charter.

3. Across the past three fiscal years, the school has failed to achieve a balanced budget, with expenditures exceeding revenue every year. According to an outside accounting firm contracted by the Mayor's Office to assess the school's financial health, the school's expenditures exceeded revenue by \$1.55 million in 2010-2011. Balance statements from 2009-2010 and 2011-2012 demonstrate that the school's expenses exceeded revenue by over \$150,000 and \$90,000, respectively. This failure to achieve and sustain financial solvency is cause for revocation pursuant to Section 16.4(j) of the Charter.

4. The Organizer has not maintained an adequate cash balance in checking or savings accounts, leaving the Organizer with insufficient cash on hand to fund unanticipated expenses or general operating expenses, such as payroll. This was recently evidenced in July, 2012 when the school had to delay payroll by one week in order to meet current obligations. The Mayor's Office found the Organizer had less than one day (0.34) of cash in their bank account to fund expenses at the close of the 2011 fiscal year and only 1.25 days of cash in reserve at the close of the 2012 fiscal year. Best practice indicates that the school should maintain between 30-60 days cash on hand at all times. This failure to achieve and sustain financial solvency is cause for revocation pursuant to Section 16.4(j) of the Charter.

5. In order to fund operational expenses, the school has continued to accrue additional debt. According to balance statements provided by the school, total liabilities in 2010 were \$2,264,713; total liabilities in 2011 increased to \$5,170,847; and, total liabilities in 2012 increased to \$5,280,427. In contrast, the total revenue in 2010 was \$2,693,331, in 2011 it was \$2,942,938, and in 2012 it was \$3,203,022. The debt to asset ratio of the Organizer as of June 30, 2012 represents a margin of less than 2%, with total liabilities (\$5,280,427) perilously close to reaching the school's total assets (\$5,404,569). Best practice indicates that at a minimum, a 10% margin should exist between debt and total assets. This failure to achieve and sustain financial solvency is cause for revocation pursuant to Section 16.4(j) of the Charter.

6. In the Charter contract, Organizer included two primary academic goals: (1) that each student will read, write, and compute at or above grade level within the first 3 years at the school; and (2) that each student will make no less than one year's academic growth each year as measured by standardized tests. According to data provided by the Indiana Department of Education, the majority of students who were enrolled with the Organizer for three years could not read, write or compute at or above grade level as measured by the Indiana State Test of Educational Progress Plus (hereinafter referred to as "ISTEP+"). In 2010-2011, only 18.2% of students who had been enrolled with the Organizer for three continuous years demonstrated proficiency on both English and mathematics portions of ISTEP+. In 2011-2012, only 36% of students who had been enrolled for three continuous years demonstrated proficiency on both. This failure to achieve the educational goals of the Charter School set forth in the Mayor's Accountability Plan is cause for revocation pursuant to Section 16.4(e) of the Charter.

7. The Charter states that the vision is to 'eliminate the predictive value of race, class, gender, and special capacities on students success'. As evidenced by results from ISTEP+, the Organizer's minority students and students who qualify for free or reduced lunch are falling significantly behind their peers. In 2008-2009, 13.7% of students who qualified for free and reduced lunch and demonstrated proficiency on both English and mathematics, while 20% of non-

free and reduced students demonstrated proficiency. In 2011-2012, 13.5% of students who qualified for free and reduced lunch demonstrated proficiency, as opposed to 72.4% of non-free and reduced lunch students. In 2009-2010, 19.0% of Black students demonstrated proficiency on both English and mathematics portions of ISTEP+, while 33.3% of White students did so. In 2011-2012, 16.3% of Black students demonstrated proficiency, while 72.7% of White students did so. Based on this information, the Organizer is clearly not achieving their goal of eliminating the predictive value of race or socioeconomic status for these students. This failure to achieve the educational goals of the Charter School set forth in the Mayor's Accountability Plan is cause for revocation pursuant to Section 16.4(e) of the Charter.

8. The Organizer has failed to ensure adequate individual student growth. The Mayor's Accountability Plan specifies that a minimum of 75 percent of students tested must make sufficient gains in order for a school to meet the standard. The school has failed to adequately advance students, as evidenced by both ISTEP+ in 2010-2011 and the Northwest Evaluation Association's Measures of Academic Progress (hereinafter referred to as "NWEA") in 2008-2009 and 2009-2010. During the 2008-2009 and 2009-2010 school years, the school's students showed average sufficient gains on NWEA of 28% and 36% respectively. In 2010-2011, only 46% of students made sufficient gains, by demonstrating either 'Typical' or 'High' growth on the ISTEP+ assessment. Thus, in no year has the Organizer met the Mayor's standard of 75 percent of students demonstrating sufficient gains. This failure to achieve the educational goals of the Charter School set forth in the Mayor's Accountability Plan is cause for revocation pursuant to Section 16.4(e) of the Charter.
9. The Organizer failed to make Adequate Yearly Progress (hereinafter referred to as "AYP"), as measured by the Indiana Department of Education's (hereinafter referred to as "IDOE") system of accountability. This failure to achieve the educational goals set forth by the Mayor and in the Charter is cause for revocation pursuant to Section 16.4(e) of the Charter.
10. In February, 2012, the Indiana State Board of Education approved a new A-F accountability system to replace both the Public Law 221 rating system and AYP determinations. The IDOE estimated that using the metrics of the new system, the Organizer would have received an 'F' during the 2010-11 school year based on a combination of performance and growth on state standardized tests. This failure to achieve the educational goals of the Charter School set forth in the Mayor's Accountability Plan is cause for revocation pursuant to Section 16.4(e) of the Charter.
11. Based on the school's pass rates on ISTEP+ in 2012, the Organizer ranks in the bottom 5% of all Marion County schools for the percent of students passing both

ELA and Math (8th from the bottom out of 185 schools). The school ranks in the bottom 2% of schools statewide for the percent of students passing both ELA and Math (19th from the bottom out of 1,525 schools). This failure to achieve the educational goals of the Charter School set forth in the Mayor's Accountability Plan and the Charter is cause for revocation pursuant to Section 16.4(e) of the Charter.

NOW, THEREFORE, in accordance with Section 16.5 of the Charter, the Director hereby notifies the Organizer that it must respond in writing to the Director by no later than August 7, 2012, or the Charter will be revoked without further notification.

CONSOLIDATED CITY OF INDIANAPOLIS

By: Beth Bray
Beth Bray
Indianapolis Charter Schools Director

Date: July 17, 2012